

Message Text

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TO AMEMBASSY SANTIAGO

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LIMDIS-RESEARCH

E.O. 11652: N/A

TAGS: ETRD, OGEN, CI

SUBJE: AID CONTRACT NO. AID/OTR-C-1323. THE RELATION-
SHIP BETWEEN TRADE STRATEGIES AND EMPLOYMENT GROWTH

1. AID HAS ASKED DEPARTMENT'S RESEARCH COUNCIL (DSRC) TO CLEAR WITH RESPECT TO POSSIBLE FOREIGN POLICY SENSITIVITY PROPOSED COUNTRY STUDY ON CHILE IN CONNECTION WITH SUBJECT PROJECT. PROPOSED RESEARCH WOULD BE CARRIED OUT UNDER THE AUSPICES OF THE NATIONAL BUREAU OF ECONOMIC RESEARCH (NBER). PROJECT MANAGER IS DR. ANNE O. KRUEGER, UNIVERSITY OF MINNESOTA. POSSIBILITY OF COUNTRY STUDY ON CHILE FIRST RAISED IN SELF-INITIATED LETTER TO KRUEGER FROM DOMINIC HACHATTE, DIRECTOR OF ECONOMICS INSTITUTE, UNIVERSITY OF CHILE. HACHATTE OFFERED PROJECT SUPPORT AND PROPOSED VITTORIO CORBO AND PATRICIO MELLER AS POSSIBLE RESEARCHERS. DEPARTMENT SEES NO OBJECTIONS TO PROPOSED COUNTRY STUDY, BUT HAS DEFERRED FINAL DECISION PENDING RECEIPT OF EMBASSY'S VIEWS WITH RESPECT TO POSSIBLE POLITICAL SENSITIVITY OF THIS RESEARCH.

2. PURPOSE OF PROJECT IS TO DETERMINE WHAT DIFFERENCES

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ARE, IF ANY, BETWEEN AMOUNT AND PATTERN OF EMPLOYMENT

ASSOCIATED WITH EXPORTING AND THAT ASSOCIATED WITH IMPORT-SUBSTITUTION ACTIVITIES AND WHY DIFFERENCES ARISE. PROJECT WILL INVOLVE SUBSTANTIAL EMPIRICAL WORK TO ESTIMATE

LABOR AND CAPITAL COEFFICIENTS IN IMPORT SUBSTITUTION AND IN EXPORT ORIENTED INDUSTRIES. ATTENTION WILL BE GIVEN TO ESTIMATING COEFFICIENTS PERTAINING TO NUMBER OF WORKERS PER UNIT OF EXPORT AND IMPORT SUBSTITUTING PRODUCTION, TO ESTIMATING SKILL REQUIREMENTS AND OTHER DIMENSIONS OF EMPLOYMENT ASSOCIATED WITH DIFFERENT ACTIVITIES. EMPIRICAL WORK WILL ALSO ANALYZE VARIOUS INCENTIVES AND DISTORTIONS WHICH AFFECT COMMODITY COMPOSITION OF TRADE.

3. PROJECT WILL PROCEED IN THREE STAGES. FIRST STAGE, NOW IN PROGRESS, INCLUDES FORMULATION OF STATEMENT OF THEORY OF DETERMINATION OF COMMODITY COMPOSITION OF TRADE AND EMPLOYMENT ATTRIBUTABLE TO EXPORTS AND TO IMPORT SUBSTITUTES. ALSO SELECTION OF TEN COUNTRIES FROM LATIN AMERICA, AFRICA, THE NEAR EAST, SOUTH ASIA AND EAST ASIA, AS SUBJECT OF COUNTRY STUDIES, AND LOCATION OF RESIDENT RESEARCHER FOR EACH COUNTRY. STUDY METHODOLOGY FOR APPLICATION TO INDIVIDUAL COUNTRY STUDIES WILL BE WORKED OUT COLLABORATIVELY BETWEEN PROJECT MANAGER AND RESIDENT RESEARCHERS. SECOND STAGE WILL CONSIST OF TEN COUNTRY STUDIES CONDUCTED BY RESIDENT RESEARCHERS AND SIMILAR NUMBER OF SPECIAL TOPIC PAPERS DESIGNED TO EXAMINE, IN DEPTH, SPECIFIC COUNTRY ISSUES. FINAL STAGE OF PROJECT WILL INVOLVE PREPARATION BY PROJECT MANAGER OF PAPER SYNTHESIZING INDIVIDUAL STUDIES.

4. RESEARCHERS FROM COUNTRIES SELECTED, WOULD UNDERTAKE PLANNED COUNTRY STUDIES UNDER OVERALL DIRECTION OF PROJECT MANAGER, AND WOULD NOT REQUIRE ANY INPUT FROM MISSIONS OR EMBASSIES. NBER CONTACT IN EACH COUNTRY WOULD BE WITH THE LOCAL RESEARCHER AND HIS RESPECTIVE ACADEMIC OR RESEARCH INSTITUTION. LOCAL RESEARCH ACTIVITY SUCH AS PRIMARY DATA COLLECTION WOULD BE MANAGED BY THE LOCAL RESEARCHER WHO MIGHT WORK INDEPENDENTLY OR IN AFFILIATION WITH A LOCAL ACADEMIC OR RESEARCH INSTITUTION.

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5. IF MORE INFORMATION ON PROJECT NEEDED, DEPARTMENT CAN POUCH COPY OF NBER PROJECT OUTLINE. HOWEVER, EARLY EMBASSY DECISION CONCERNING POSSIBLE FOREIGN POLICY SENSITIVITY WOULD BE APPRECIATED. KISSINGER

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